

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EURE-00 SSO-00 NSC-05 NSCE-00
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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5603

INFO ALL OECD CAPITALS IMMEDIATE 0742

USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L OECD PARIS 06626

LIMDIS

E.O. 11652: GDS

TAGS: ETRD, EGEN

SUBJECT: UNCTAD COMMON FUND - CONSULTATIONS WITH
JAPANESE AND GERMANS

1. DEPUTY ASSISTANT SECRETARY BOSWORTH MET SEPARATELY
ON MARCH 4 WITH JAPANESE (KAYA-FOREIGN MINISTRY) AND
GERMANS (STEEG-ECONOMICS MINISTRY) TO DISCUSS U.S. POSI-
TION ON COMMON FUND AND TACTICS FOR MARCH UNCTAD MEETING.

2. BOSWORTH OUTLINED U.S. THINKING ALONG LINES OF
UNDER SECRETARY COOPER'S STATEMENTS IN BOTH G-8
AND XCSS MEETINGS, STRESSING THAT U.S. POLICY
FORMULATION STILL IN PROGRESS. BOTH KAYA AND STEEG
WERE PARTICULARLY INTERESTED IN U.S. THINKING ON
POSSIBLE INCLUSION OF SOME OVERDRAFT FACILITY IN A
COMMON FUNDING MECHANISM. BOSWORTH SAID THAT WE ARE
CONSIDERING AN OVERDRAFT ONLY AS A POSSIBLE SUPPLE-
MENT TO THE FUNDS DEPOSITED IN THE DEPOSITORY BY
INDIVIDUAL BUFFER STOCKS AND NOT, REPEAT NOT, AS
ANY FORM OF PRE-FINANCING. SUCH A FACILITY WOULD
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CLEARLY HAVE TO BE SUBJECT TO SPECIAL CRITERIA AND
VOTING AND WOULD, IN OUR TENTATIVE THINKING, BE
FOR USE ONLY IN EXCEPTIONAL CIRCUMSTANCES SUCH AS
A SHARP AND GENERAL DECLINE IN COMMODITY PRICES
DURING A GLOBAL RECESSION WHEN MOST OR ALL BUFFER
STOCKS MIGHT BE IN NEED OF FUNDS. BOSWORTH EMPHA-
SIZED, HOWEVER, THAT U.S. THINKING ON THIS WAS STILL

EMBRYONIC. HE ALSO NOTED THAT WE HAD AGREED, IN THE FORMULATION OF OUR TACTICAL POSITION WITH THE UK AND EC COMMISSION, THAT WE WOULD NOT, REPEAT NOT, INDICATE THAT WE WERE POSITIVELY DISPOSED TO SUCH A CONCEPT DURING THE UNCTAD MEETING IN MARCH. THE IDEA CLEARLY REQUIRES FURTHER CONSIDERATION WITHIN THE USG AND EXTENSIVE COORDINATION WITH OTHER INDUSTRIALIZED COUNTRIES.

3. FRAU STEEG WAS PARTICULARLY SENSITIVE ON ANY REFERENCE BY THE U.S. IN GENEVA TO THE CONCEPT OF AN OVERDRAFT FACILITY, EITHER FORMALLY OR IN INFORMAL CONTACTS WITH LDCS. SHE SAID THAT THE FRG HAS REFUSED TO ACCEPT ANY REFERENCE TO SUCH SUPPLEMENTAL FINANCING IN THE EC COMMON POSITION AND THAT SUPPORT FOR ANY PROPOSAL ALONG THE LINES OF THE U.S. THINKING WOULD REQUIRE A MAJOR SHIFT IN THE FRG POSITION. THIS, SHE NOTED, WAS IN CONTRAST TO MOST OF THE OTHER ASPECTS OF THE EMERGING U.S. COMMODITIES APPROACH, SUCH AS A POSSIBLE LIBERALIZATION OF THE IMF COMPENSATORY FINANCE FACILITY, WHICH ARE CONSISTENT WITH THE FRG POLICY, ALTHOUGH CONSUMER CONTRIBUTIONS TO BUFFER STOCK FINANCING IS ANOTHER POINT OF POSSIBLE DIVERGENCE. SHE NOTED THE GENERAL ASSURANCES WITH RESPECT TO FULL CONSULTATIONS ON SUCH ISSUES WHICH HAD BEEN GIVEN BY THE NEW US ADMINISTRATION, AND SAID THAT HER CHANCELLOR AND MINISTERS WOULD EXPECT EXTENSIVE CONSULTATIONS WITH THE US BEFORE ANY SUCH INITIATIVE (I.E. OVERDRAFT FACILITY) MIGHT BE CONFIDENTIAL

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ADVANCED FORMALLY. SHE EXPRESSED APPRECIATION FOR BOSWORTH'S COMMENTS ON US THINKING AND PARTICULARLY HIS ASSURANCES REGARDING THE US POSITION AT THE GENEVA MEETING.

4. IN RESPONSE TO STEEG'S INVITATION, BOSWORTH AGREED TO STOP IN BONN AT THE END OF NEXT WEEK ON HIS WAY FROM GENEVA TO WASHINGTON FOR FUTURE TALKS WITH HER AND HER FRG COLLEAGUES ON ALL ASPECTS OF COMMODITY ISSUES.

5. INFO ADDRESSES SHOULD CONSIDER FOREGOING REPORT AS FOR THEIR INFORMATION ONLY, AND NOT FOR USE IN DISCUSSING US POSITION WITH HOST GOVERNMENT OFFICIALS.
TURNER

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